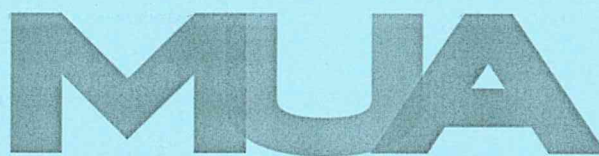


The  
Management  
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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP/**  
**BACHELOR OF COMMERCE**

**BML 210/ BCM 223: COMPANY LAW**

**DATE: 2<sup>ND</sup> DECEMBER 2015**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

**QUESTION ONE**

Read the Case Study below carefully and answer the questions that follow:

**THE MANAGEMENT UNIVERSITY OF AFRICA GRADUATES**

Ann and Brenda are recent graduates of the Management University of Africa, and are, as they put it, 'experts' in management. They therefore intend to set up a business, and they call on you, a company law student, specifically as to what business entity they should set up. Ann would prefer a company because she will be called a director, while Brenda thinks that a partnership best describes the relationship they have and cuts out inviting other members. Explain to them the legal consequences of incorporation of a company, and any advantages and disadvantages of the establishment of a company as compared to a partnership. **(12 marks)**

However the most cited case in this regard is *Twycross v Grant* where CJ Cockburn said,

"One who undertakes to form a company with reference to a given subject and to set it going and who takes all the necessary steps to accomplish that purpose'  
Reflecting on the above statement:

(a) Explain the duties of a promoter. **(10 marks)**

(b) Explain **four** circumstances under which a floating charge may become fixed. **(5 marks)**

**QUESTION TWO**

A general meeting is a meeting of a company's shareholders (unlike a board meeting, which is a meeting of the directors). Companies Act 2006, Part 13 (comprising 80



sections) provides the statutory framework for the calling and conduct of general meetings. Note, too, that resolutions can also be passed as written resolutions (without having a general meeting) and there is now no statutory requirement for a private company to hold an Annual General Meeting, unless the articles make provision for one to be held. *(Taken from an extract on the United Kingdom companies Act)*

Set out the various company meetings set out in the Kenyan companies Act to the assembled executives (15 marks)

### QUESTION THREE

Explain the circumstances under which a court may wind up a company under just and equitable rules and state the legal consequences of a winding up order. (15 marks)

### QUESTION FOUR

(a) Explain a company secretary's duties in law. (7 marks)

(b) Explain the duties of a managing director, clearly stating to whom such duties are owed (8 marks)

### QUESTION FIVE

Write brief notes on the following terms in shares: (15 Marks)

- a) Inability to pay debts
- b) Official Receiver report
- c) Forfeiture
- d) Surrender
- e) Transfer and Transmission

**QUESTION SIX**

- a) Differentiate between an ordinary shareholder and a preference shareholder.

**(6 Marks)**

- b) Differentiate and discuss the roles and duties of ordinary preference shareholders and the benefits owed to them by the company

**(9Marks)**